

strictions have been suspended in order to permit large loans to the government, which have tended to drag the circulation of the bank into the same mire of depreciation as that of the Bank of Spain in the last century. Article 15 of the original law prescribed that the circulation should always be covered by a metallic reserve and negotiable paper maturing in not more than three months and that the metallic reserve should be in gold and should equal one-third the aggregate of the circulation and other demand liabilities. Article 16 fixed the power of note issue at double the capital of the bank and Article 37 limited to 2,000,000 milreis the advances to the state.¹ Both the latter limitations have been disregarded and the circulation is now more than five times the capital and advances to the government are many times the amount fixed by the law. The amount of such advances and loans stood at 53,092,000 milreis in 1905 and increased to 54,290,000 milreis (\$58,633,000) in 1907.

A share of net earnings goes to the state. The shareholders receive seven per cent., after certain reserves are set aside, but above seven per cent, there is an equal division with the government. The profits on loans between five and six per cent, are divided, but above six per cent, go entirely to the state.⁹ The net earnings of 1907 were 1,739,-000 milreis (\$1,878,000), which permitted a dividend of nine and a half per cent.

The cash resources of the bank and its readily convertible obligations have tended to decrease in recent years. The demand liabilities at the close of 1907 were 70,967,000 milreis on account of circulation and 1,601,000 milreis on account of deposits. Against them was held 5,079,000 milreis in gold, 4,822,000 milreis in silver and minor coins, and 18,590,000 milreis in commercial discounts. The remainder of the assets were made up of government obligations, gold covering the demand liabilities in the proportion of only seven per cent.³

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* *feconomiste Europ&n*, March 13, 1908, XXXIII., 329. March 6, 1908, XXXIII., 316.